



CITY OF CARSON

Legislation Text

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Report to Mayor and City Council

Tuesday, June 16, 2020
Special Orders of the Day

SUBJECT:

PUBLIC HEARING TO CONSIDER ADOPTION OF RESOLUTION NO. 20-089, ADOPTING THE FISCAL YEAR 2020-2021 ANNUAL BUDGET IN THE GENERAL FUND AND SPECIAL REVENUE FUNDS (CITY COUNCIL) CONSIDER RESOLUTION NO. 20-07-CSA, ADOPTING THE FISCAL YEAR 2020-2021 ANNUAL BUDGET FOR THE CARSON SUCCESSOR AGENCY (SUCCESSOR AGENCY) CONSIDER RESOLUTION NO. 20-06-CHA, ADOPTING THE FISCAL YEAR 2020-2021 ANNUAL BUDGET FOR THE CARSON HOUSING AUTHORITY (HOUSING AUTHORITY) CONSIDER RESOLUTION NO. 20-097 APPROVING AND ADOPTING THE ANNUAL APPROPRIATIONS LIMIT FOR FISCAL YEAR 2020-2021 (CITY COUNCIL) AND APPROVAL OF THE 2020 CAPITAL IMPROVEMENT PLAN (CITY COUNCIL)

I. SUMMARY

The City Council has held 3 budget workshops and provided direction to staff for the Fiscal Year 2020-2021 budget. The Public Hearing Notice was published on June 4th (Exhibit K), and the draft budget has been on file with the City Clerk's Office for public viewing since June 4th. The resolutions are ready for the City Council to consider adoption.

Finance staff is assuming a decrease to the City's projected revenues through the second quarter of Fiscal Year 2020-2021, with projected revenues of \$85 million. The City Council is asked to consider the use of one-time funds in the amount of \$2.1 million from the City's General Fund reserve. The General Fund balance is estimated to be \$35 million at the end of Fiscal year 2020-2021; which is approximately \$17.6 million above the policy reserve threshold of \$17.4 million (20% of budgeted expenditures).

II. RECOMMENDATION

1. OPEN the public hearing, TAKE public testimony for the proposed Fiscal Year 2020-2021 budget, and CLOSE the public hearing.
2. WAIVE further reading and ADOPT Resolution No. 20-089, A RESOLUTION OF THE CITY OF CARSON CITY COUNCIL ADOPTING THE FISCAL YEAR 2020-2021 BUDGET IN THE GENERAL FUND AND SPECIAL REVENUE FUNDS

(Exhibit A)

3. WAIVE further reading and ADOPT Resolution No 20-07-CSA, A RESOLUTION OF THE BOARD OF THE SUCCESSOR AGENCY TO THE DISSOLVED CARSON REDEVELOPMENT AGENCY ADOPTING THE FISCAL YEAR 2020-2021 BUDGET (Exhibit B)
4. WAIVE further reading and ADOPT Resolution No. 20-06-CHA, A RESOLUTION OF THE BOARD OF THE CARSON HOUSING AUTHORITY ADOPTING THE FISCAL YEAR 2020-2021 BUDGET (Exhibit C)
5. WAIVE further reading and ADOPT Resolution No. 20-097, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON ADOPTING THE ANNUAL APPROPRIATION LIMIT FOR THE FISCAL YEAR 2020-2021 (Exhibit D)
6. APPROVE the 2020 Capital Improvement Plan (Exhibit G).

III. ALTERNATIVES

DO NOT ADOPT the proposed Fiscal year 2020-2021 budget and PROVIDE additional direction to staff.

IV. BACKGROUND

This staff report includes the information and resolutions necessary to adopt the Fiscal Year 2020-2021 budget for the City of Carson, CSA, and CHA. The recommendation is for the City Council/Carson Successor Agency Board/Carson Housing Authority Board to conduct a Public Hearing and consider adoption of the proposed Fiscal Year 2020-2021 via the attached resolutions.

The City Council has held 3 budget workshops to provide direction to staff for the draft Fiscal Year 2020-2021 budget on March 17th, April 21st and May 19th.

Personnel Budget:

To help reduce the General Fund budget deficit, a limited hiring freeze that lasts for a specified period or simply extends the time a position is vacant will provide the City with immediate financial relief. The total vacant positions stand at 39 positions (12% vacancy rate) with an estimated budget \$4.3 million. The City's estimated total personnel costs for Fiscal Year 2020-2021 are \$39.8 million. Whereas in our last workshop, we recommended a limited annual hiring freeze at a 9% vacancy rate, staff is modifying its recommendation to reduce the proposed hiring freeze to a 6% vacancy rate with a projected \$2.1 million General Fund annual savings. After a careful review of the current vacancies, we determined that about half were critical and in light of favorable market conditions that resulted in higher savings with the issuance of the Pension Obligation Bonds (discussed below), we believe that the lower vacancy rate is warranted.

The City Manager will review vacancies on a case-by-case basis taking into account such factors as length of time a position has been vacant, the impact of the vacancy on providing critical services and whether it will result in overtime costs. We will consider investments in cost-saving technology upgrades as well as structural changes that enable the City to provide services more efficiently.

Department Name	Budgeted FTEs	Vacant FTEs	Vacancy Rate
Public Works	130	11	8%
Community Services	66	9	14%
Community Development	24	5	21%
Human Resources	11	4	36%
Public Safety	23	3	13%
Finance	32	2	6%
City Manager's Office	6	1	17%
Information Technology	8	1	13%
City Clerk's Office	4	1	25%
City Treasurer's Office	4	1	25%
City Council's Office	5	1	20%
Public Information Office	4	0	0%
TOTAL	317	39	12%

Professional Development Expenditures

Although professional development for our employees has been and continues to be a priority, the reality is that the COVID-19 pandemic has greatly limited or even eliminated travel for many local governments; therefore, the training and professional development budget previously allocated by department will be moved to the City Manager's Office. Funds will be centralized in the City Manager's Office, including the Human Resources \$151,000 citywide training program, to be administered by the City Manager with recommendations from the department heads. The City Manager, at a minimum, will be signing off on all training required by law or to meet an employee's credentialing requirements. The budget will be monitored to come back to City Council if additional funds are needed for these purposes and to cover other training the City Manager believes is warranted. The table below depicts the budget allocation by department in the current fiscal year compared to the Fiscal Year 2020-2021 proposed budget.

DEPARTMENT	FY 19-20 Adopted Budget	FY 20-21 Proposed Budget	Budget Reduction
HR & RISK MANAGEMENT	\$151,500		
COMMUNITY SERVICES	\$81,650		
CITY MANAGER OFFICE	\$37,040	\$251,500	
PUBLIC WORKS	\$34,700		

FINANCE	\$15,700		
COMMUNITY DEVELOPMENT	\$12,300		
CITY CLERK	\$10,500		
CITY TREASURER	\$6,000		
Total	\$349,390	\$251,500	\$97,890

Operating & Maintenance (Non-Personnel) budget

The following table shows a proposed 15% General Fund reduction in eight City departments' non-personnel budget. This will generate a \$2.3 million annual savings.

Departments/Divisions	FY 19-20 Adopted Budget	15% Proposed Reduction	FY 20-21 Proposed Budget
COMMUNITY DEVELOPMENT	5,209,570	781,436	4,428,135
PUBLIC WORKS*	4,992,704	487,606	4,505,098
COMMUNITY SERVICES	2,591,507	388,726	2,202,781
PUBLIC SAFETY	1,450,981	217,647	1,233,334
FINANCE	662,395	99,359	563,036
PUBLIC INFORMATION	251,415	37,712	213,703
CITY MANAGER OFFICE	190,080	28,512	161,568
CITY TREASURER	139,950	20,993	118,958
Total	15,488,602	2,061,991	13,426,613

*Public Works budget reduction is set at 10% due to the reinstatement of \$261,300 in building and roadway maintenance during budget workshop no. 3

Community Development's anticipated 15% cuts to the proposed Fiscal Year 2020-2021 budget are from the Planning Division's contracts account. As Planning has started to move to a deposit-based system to pay for necessary consultant services, there has been less of a reliance on the general fund to fund these services. There is still a need to fund consultant services for work that is done for City projects, but the reliance on the general fund for developer projects continues to be reduced.

Finance Department's reduction of \$99,359 (15% of non-personnel budget) can be achieved by postponing the Finance-Human Resources Office Space Furniture Replacement project. Both departments will continue the usage of the current 30 workstations layout.

Public Safety's reduction of 15% totals \$217,647. O&M reductions will be achieved by reductions across the department for supplies, finger printing services and elimination of costs related to old equipment being removed or repaired. Sufficient funds are available for current levels of operation.

The City Treasurer's Office of 15% reduction totals \$20,993. This reduction will come from a cut in the departments training, travel and office supplies. Sufficient funds are available

for current levels of operation.

The proposed 10% reduction in the Public Works department will be from the on call engineering and architecture services. The on call program was set up to expedite the design process for the City’s capital projects. Nearly all our street projects are grant funded and ultimately the design costs are also covered under the grants. We will look for a mechanism to set up a master account to avoid budgeting funds for each contractors’ not-to-exceed amount, which results in over-budgeting what is needed. As discussed at Budget Workshop No. 3, no reductions will be made in building and roadway maintenance budgets.

The City Manager’s Office 15% reduction totals \$28,512. This reduction will come from the O&M equipment rental account 101-50-520-101-7002, leaving sufficient funding for any anticipated rentals over the upcoming fiscal year.

Additionally, the Public Information Office will reduce its O&M budget by 15%, which totals \$37,712. This reduction will be met from O&M Maintenance and Repair account 101-50-520-101-7002 for \$8,000 and O&M Operations equipment rental account 101-50-520-101-7002 for \$30,000, leaving sufficient funding for any anticipated costs over the upcoming fiscal year.

Community Services O&M adopted budget is \$2,591,507.00, of which a 15% reduction total is \$388,726. Cost saving measures across the department will result from the closures we are experiencing during the COVID-19 pandemic. Sufficient funds are available in the event that the City returns to full operations.

The following departments will see an increase to their non-personnel proposed budget for Fiscal Year 2020-2021. The total anticipated budget increase is \$2 million.

Departments/Division	FY 19-20 Adopted Budget	Increase	FY 20-21 Proposed Budget
INFORMATION TECHNOLOGY	1,299,043	152,033	1,451,076
HUMAN RESOURCES	1,447,552	153,064	1,600,616
CITY CLERK’S OFFICE	158,100	323,303	481,403
CITY MANAGER’S OFFICE	190,080	235,886	425,968
PS- Sheriff Contract	20,905,000	1,168,228	22,073,228
Total	23,999,775	2,032,514	26,032,291

The Information Technology division’s proposed budget increase is due mainly to the implementation of two projects: Office-365 and Replacement of Microsoft Servers. Human Resources Department’s budget increase of \$153 thousand is requested to cover the insurance premiums that are higher compared to Fiscal Year 2019-2020 budget in addition to anticipated costs related to Employee Relations Private Investigations. The City Clerk’s Office will be managing the General Municipal Elections this November. The estimated elections’ cost the City received from the Los Angeles County Registrar is \$323,303. The City Manager’s Office budget increase of \$235,886 is largely due to centralizing training in

this office's budget (as mentioned above).

Staff received preliminary information from the Los Angeles County's Sheriff Department indicating an increase of 5.6% (or \$1,168,228) to the budget compared to Fiscal Year 2019-2020.

City Special Events

Preventing the exponential spread of the COVID-19 virus necessitated the cancellation of all large public gatherings beginning shortly after the pandemic reached California. The City acted responsibly by cancelling its large-scale Special Events through August 2020. Additional cancellations are warranted to comply with State and County Recovery plans that are attempting to manage the spread of the virus. Large public gatherings are not allowed until Stage 4 in the County's "Roadmap To Recovery".

Direct costs for large scale events for Fiscal Year 2020-2021 are estimated to be \$290,000 (Exhibit H). Staff is recommending cancelling the City's large-scale Special Events through the end of December 2020, which will generate \$155,000 of General Fund Savings (Exhibit E).

Community Services - Kids Club/Summer Day Camp/Early Childhood Education Programs

Finance and Community Services staff worked together in collaboration to detail the upcoming opening of Kids Club and Early Childhood Education programs. Due to the COVID-19 pandemic, these important children programs have been placed on hiatus under State and local mandates. As staff prepares to provide these programs utilizing proper health and safety protocols, the financial impact is will be determined by three factors; required student to teacher ratio, the need to adhere to the pandemic cleaning health requirements issued by the State and County Health Officials and consideration of a modest fee increase to cover the additional costs (Exhibit M). Staff has developed plans for re-opening these programs and has recommendations as follows: Limit programs to residents only to address the need to reduce the number of students to comply with state health protocols and provide a modest fee increase of \$5 for the summer camp and \$10 for the Kids Club to partially offset the higher program costs.

Summer Youth

In budget workshop No. 3, we estimated the costs of Summer Youth program to be approximately \$65,000, staff is modifying its recommendation to eliminate the program for Fiscal Year 2020-2021.

Pension Obligation Bond

In January 2020, the City Council authorized the issuance of the Pension Obligation Bonds to prepay the City's outstanding Unfunded Accrual Liability (UAL) for the general employees CalPERS plan. As of June 30, 2018, the most recent CalPERS valuation date, the City's retirement plan was 64.8% funded, with a net liability of approximately \$107 million expected as of June 30, 2020.

The City completed the Bonds sales on June 10, 2020 with a finalized debt service to \$156,486,00, compared to \$165,000,000 estimated at the May 19th City Council meeting

(Exhibit L). The final Bonds proceeds show impressive result as the Treasury Market cooperated with United States Treasury Yields dropping by about 8-10 basis points. The City’s projected “Debt Service Payment” for Fiscal Year 2020-2021 is \$1,903,804, compared to \$2,213,000 presented to the City Council on May 19th (\$309,000 in savings). By Issuing the POBs, the City is now able to achieve \$5,897,038 General Fund savings for Fiscal Year 2020-2021.

	POB Debt Service	Unfunded Accrual Liability Payment	General Fund Savings
Fiscal Year 2020-2021	\$1,903,804	\$7,800,742	\$5,897,038

The City’s AA- credit rating played an instrumental role in securing the City’s low interest rate on the bonds and we are now projecting a total of \$47.3 million savings over the next 20 years.

General Fund Summary

A summary of the General Fund expectations for Fiscal Year 2019-2020 and Fiscal Year 2020-2021 follows.

	Fiscal Year 2019-2020 Adopted Budget	Fiscal Year 2019-2020 Projected Budget	Fiscal Year 2020-2021 Proposed Budget
Beginning Fund Balance	26,439,164	45,171,412	37,055,710
Revenues	86,940,117	78,218,811	84,890,355
Expenditures	89,259,813	86,334,513	86,972,309
Excess/(Shortfall)	(2,319,696)	(8,115,702)	(2,081,954)
Ending Fund Balance	24,119,468	37,055,710	34,973,756
Reserve Policy (20%)	17,851,963	17,266,903	17,394,462
Surplus/(Deficit)	6,267,505	19,788,807	17,579,294

The forecast indicates the general Fund will continue to be above the Reserve Policy threshold of 20% of budgeted expenditures (\$17.6 million surplus).

V. FISCAL IMPACT

The fiscal impact of the proposed Fiscal year 2020-2021 budget for all funds of the City, Carson Successor Agency and Carson Housing Authority is summarized in attached resolutions.

VI. EXHIBITS

- A. Resolution 20-089, A RESOLUTION OF THE CITY OF CARSON CITY COUNCIL ADOPTING THE FISCAL YEAR 2020-2021 BUDGET IN THE GENERAL

FUND AND SPECIAL REVENUE FUNDS

- B. Resolution No 20-07-CSA, A RESOLUTION OF THE BOARD OF THE SUCCESSOR AGENCY TO THE DISSOLVED CARSON REDEVELOPMENT AGENCY ADOPTING THE FISCAL YEAR 2020-2021 BUDGET
- C. Resolution 20-06-CHA, A RESOLUTION OF THE BOARD OF THE CARSON HOUSING AUTHORITY ADOPTING THE FISCAL YEAR 2020-2021 BUDGET
- D. Resolution 20-097, A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON ADOPTING THE ANNUAL APPROPRIATION LIMIT FOR THE FISCAL YEAR 2020-2021
- E. Proposed Special Events to be Cancelled Through December 2020
- F. Fee Study Project - Revised Timeline
- G. Fiscal Year 2020-2021 Capital Improvement program
- H. Special Events Fiscal Year 2020-2021 Estimated Expenditures
- I. Fiscal year 2020-2021 General Fund Summary
- J. Sheriff's Department Service Level Authorization Fiscal Year 2020-2021
- K. The Budget Public Hearing Notice
- L. Pension Obligation Bonds Final Results
- M. Kids Club - Summer Day Camp - Early Childhood Proposed Plan

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